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SUBJECT: Guyanese Business Optimistic as CSME Approaches

SUMMARY: The Single Market component of the Caribbean Single Market Economy (CSME) came into force on January 1, 2006, for Barbados, Belize, Guyana, Jamaica, Suriname, and Trinidad. Guyanese officials have expressed optimism that the CSME will afford greater market opportunities, particularly in niche agricultural markets. However, supply-chain deficiencies and a lack of value-added production capacity may limit Guyana's growth potential. END SUMMARY.

1. On Christmas Day, GOG President Jagdeo signed documents indicating Guyana's commitment to the CSME, becoming the sixth CARICOM head of state to do so. This was the culmination of several initiatives aimed at preparing Guyana for CSME compliance by January 1. In other recent developments, parliament forwarded the Competition and Fair Trading Bill to a select committee after a second reading on December 15. The bill, based on CARICOM draft legislation to ensure harmonization with the CSME, includes provisions against bid-rigging, misleading advertisements and price fixing and would establish--with Inter-American Development Bank assistance--a Competition Commission with the authority to review anti-competitive business practices. In addition, an audit team comprised of Prime Minister Samuel Hinds, various government ministers and agency head, as well as CARICOM General Counsel Winston Anderson and Technical Administrative Services Coordinator Yvonne Holder, found Guyana's CSME readiness "in pretty good shape" following a review in October.

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The Private Sector's Attitudes  
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2. Nevertheless, Bal Persaud, Executive Director of the Private Sector Commission (PSC), an industry association that includes sixteen of the country's largest firms and several manufacturing and services organizations, has said the private sector is not prepared to take full advantage of the CSME. The PSC has commissioned a UN ECLAC impact assessment that is expected to help the private sector develop a nation-wide competitiveness strategy. Persaud is critical of government-private sector cooperation in preparation for the CSME, arguing that the GoG has been too focused on attracting special treatment as a Heavily Indebted Poor Country rather than making investments in infrastructure and regulatory reform that would improve competitiveness. Relatively high energy prices, poor port access, and lengthy customs clearance procedures are among the specific deficiencies he sites. Persaud also told EconOff in a recent meeting that a larger environment of government suspicion of the private sector, born of years of collective decision-making, has also prevented the private sector from becoming a driving force in Guyana's economy.

3. On the agricultural front, Nizam Hassan, General Manager of the New Guyana Marketing Corporation, a government corporation designed to promote non-traditional (i.e. non-rice and sugar) exports, also expressed hope for the CSME's potential. Hassan cited the Central Packaging Facility in Sophia, just outside Georgetown, which has been certified compliant with CARICOM standards and exports produce to Barbados and Antigua, as an example of the investments Guyana has made to take advantage of a wider market. The NGMC, with USAID support, also commissioned a series of country and commodity-based market surveys aimed at facilitating export growth under the CSME. Like Persaud, Hassan noted to EconOff that government-business coordination in the run-up to the CSME has been disjointed. He cites a need to evolve from a "suitcase mentality" based on individual business people hawking their wares at government-sponsored trade shows toward a more comprehensive approach.

4. In a recent media interview, Norman McLean, president of the Guyana Manufacturers' and Services Organization, hailed the CSME as opportunity to allow Guyana to become the "bread basket of the Caribbean", noting that agricultural production, as opposed to the tourism-centered smaller economies of the region, will drive Guyana's adaptation to the CSME. McLean also identified CARICOM's Regional Development Fund as an essential part of CSME implementation that will allow weaker states to make adjustments to spur CSME readiness. Note: While not named as a lesser-developed

county in the Treaty of Chaguaramas, Guyana, as a Heavily Indebted Poor Country, would be able to access the Fund under Article 156 of the Treaty. End Note.

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Potential Areas of Growth  
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15. Agriculture is most likely to be the sector in which Guyana has a comparative advantage as the CSME develops. Despite talk of diversification, Guyana's traditional exports, rice and sugar, remain the major areas of growth. The recent decline of other sugar producing economies in the region, such as this week's end of sugar production in St. Kitts, as well as investments in mechanization to lower the costs of production in the face of decline world sugar prices will make Guyana a regional leader in sugar production. In addition, Guyana has strongly pushed for enforcement of CARICOM's Common External Tariff on rice imports.

16. However, Guyana is also staking its hopes on exports elsewhere in the agricultural sector. The forestry sector, which accounts for roughly 14% of Guyana's GDP, stands to gain for greater market access under the CSME. Mohabir Singh, operator of Guyana Furniture Manufacturing Ltd. noted in a recent media interview that Guyanese hardwood could emerge as an alternative to the U.S. southern yellow pine used widely for construction throughout the Caribbean in an estimated US\$100 CARICOM market. Singh cites two obstacles to the Guyanese wood products industry's inability to take full, immediate advantage of the CSME, namely (1) a lack of value-added production in country, and (2) the inability of local producers to secure adequate supplies of timber in the face of concessional agreements to export raw timber to China and Vietnam. To this end, timber executives and manufacturing interests came together earlier this month to form the Forest Products Marketing Council charged with moving the industry toward higher value-added production.

17. Guyana has made some efforts in the services arena as well. For instance, administrators of the FAA-approved Art Williams and Harry Wendt (AWHW) Aeronautical Engineering School at the Ogle Aerodrome, East Coast Demerara, reportedly the only aeronautical engineering facility in the region, are hopeful that the CSME's provisions for the free movement of skilled workers will allow it to expand its student base. The school has already graduated 76 students, many of which have gone to work in Guyana, other CARICOM nations, and the Middle East.

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Comment  
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18. If nothing else, Guyana's CSME implementation is clearly borne of necessity. With the pending reduction of EU sugar price supports, Guyana has no choice but to look toward diversification and regional economic engagement as drivers for growth. Nevertheless, the lack of value-added production capacity will mean that, in the short term, Guyana will remain by and large an exporter of raw materials. Additional challenges, such as the ability to retain skilled workers in the face of the free movement provisions of the Treaty of Chaguaramas, may also undermine Guyana's efforts to expand the skilled manufactures and service sectors.

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